

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REQUEST OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR A DETERMINATION OF)	CASE NO.
REASONABLENESS OF A NEW DEMAND SIDE)	2003-00481
MANAGEMENT PROGRAM, THE TOUCHSTONE)	
ENERGY HOME PROGRAM)	

O R D E R

On December 12, 2003, East Kentucky Power Cooperative, Inc. (“East Kentucky”) filed a new demand-side management (“DSM”) program entitled The Touchstone Energy Home Program (“Program”). The Program is similar in many respects to the Touchstone Energy Manufactured Home Program previously approved by the Commission in Case No. 2002-00313.¹ Although East Kentucky requested that the Commission review the Program and determine that it is reasonable under KRS 278.285, it is not seeking to recover any costs related to the Program. This case was established to review the Program and the proposed tariff for the Program. Commission Staff held one informal conference with East Kentucky on December 23, 2003.

The Program is a conservation program that encourages the construction of more energy-efficient homes. The estimated incremental cost of a Touchstone Energy Home is \$2,125; however, the energy savings is estimated to be at least 30 percent, or approximately 5,100 kWh, per home per year. With that level of savings, a participant’s

¹ Case No. 2002-00313, The Filing of East Kentucky Power Cooperative Corporation for the Determination of Reasonableness of a New Demand Side Management Program Entitled the Touchstone Energy Manufactured Home Program, final Order dated November 8, 2002.

payback period will be 7.4 years. With a rebate of \$1,000, for which the Program provides, the payback period is reduced to 3.9 years.

The program is based on the Energy Star standards developed by the United States Environmental Protection Agency ("EPA") and the United States Department of Energy ("DOE"). According to EPA and DOE, homes constructed to meet the Energy Star standards are 30 percent more efficient in heating, cooling and water heating than homes constructed to the standards of the Model Energy Code. As proposed, the Program tariff will allow distribution cooperatives participating in the Program to offer a rebate of up to \$500 to a participating customer, with East Kentucky matching the amount such that the total rebate to a customer could reach \$1,000.

In its application and its discussion with Staff at the informal conference, East Kentucky addressed issues relating to the Program's benefits/costs results, the annual costs it estimates it will incur for the Program, and the involvement of the Kentucky Division of Energy ("KDOE"), the Attorney General of Kentucky ("AG") and its member cooperatives in conjunction with the Program. East Kentucky used the Standard California DSM tests to analyze the benefits/costs of the Program. Its results therefrom, based on the Ratepayer Impact Test, the Participant Test, and the Total Resource Cost Test, showed the program to be cost-effective. The benefits were based on estimated reductions in winter peak demand of 2.4 kW and summer peak demand of 1.6 kW per participant and did not include potential rebates.

At present, East Kentucky intends to offer the Program through 2009 and estimates that its annual costs for the Program will average \$44,000, excluding any rebates. East Kentucky states that the Program was developed with full participation by

its member cooperatives, that it met with KDOE and the AG to discuss the Program, and that the representatives of those agencies did not oppose its application for approval thereof. The proposed tariff includes annual reporting requirements for the Program similar to those imposed on East Kentucky for the Touchstone Energy Manufactured Home Program in Case No. 2002-00313.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the Program is reasonable and consistent with the provisions of KRS 278.285 and should be approved as proposed. If East Kentucky decides to modify or discontinue the Program, or continue it or any of the provisions contained in the Program beyond the period specified in its application or the Program's tariff, it should file an application for Commission approval of the proposed change(s) 6 months prior to the proposed effective date thereof.

IT IS THEREFORE ORDERED that:

1. East Kentucky's DSM program entitled The Touchstone Energy Home Program is approved as proposed, effective as of the date of this Order, through 2009.
2. Within 20 days from the date of this Order, East Kentucky shall file its tariff for the new DSM program including its effective date and showing that it was approved by authority of this Order.
3. East Kentucky shall file annual status reports on the program approved herein in accordance with the Annual Reports section of the program's tariff.
4. East Kentucky shall apply for Commission approval to change, terminate, or extend the program in any manner that differs from that contained in its application or tariff 6 months prior to the effective date of the proposed action.

Done at Frankfort, Kentucky, this 14th day of January, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles H. [illegible]", written over a horizontal line.

Executive Director